



SPRING 2017 MARKET PERSPECTIVE

5 Real Estate Trends to Expect in 2017

1. Millennials and boomers will move markets

Millennials and baby boomers, the two largest American generations in history, are both approaching life stages that typically motivate people to buy a home: marriage, having children, retirement, and becoming empty nesters. Analyst Jonathan Smoke predicts that millennials will make up 33% of buyers in 2017.

2. Millennials will look to the Midwest

While the financial picture may look grim for our youngest home buyers, the Midwest, with its affordable cities, still looks good. We believe Midwestern cities will continue to beat the national average in terms of its proportion of millennial home buyers in 2017.

3. Price appreciation will slow down

Nationally, home prices are forecast to slow to 3.9% growth year over year, from an estimated 4.9% in 2016. Of the top 100



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largest metros in the country, 26 markets are expected to see price acceleration of 1 percentage point or more.

4. Fewer homes, fast-moving markets

The inventory of homes available for sale is currently down an average of 11% year over year in the top 100 U.S. metropolitan markets.

5. The West will lead the way

We're expecting metropolitan markets in the West will see a price increase of 5.8% and sales increase of 4.7%, much higher than the U.S. overall.

From article by Cicely Wedgeworth at Realtor.com, based on analysis by Jonathan Smoke

HOUSING INVENTORY REACHES RECORD LOW

Home buyers are in a spring mood, but sellers are still hibernating, suggested one broker while commenting about the latest statistics from Northwest Multiple Listing Service. Figures for February and feedback from brokers indicate record-low inventory is **spurring multiple offers, rising prices, fewer sales, and frustrated house-hunters.**

According to various NWMLS brokers:

- **Our robust market has created extreme conditions**, and we're seeing frenzy hot activity on each new listing coming on the market; we're also experiencing some of the lowest inventory levels on record.
- **Home sellers and buyers are complaining equally** about the current market's low inventory. Sellers are frustrated when they cannot find another home to match their current needs, or when a home goes off market so fast that the option of a contingent sale is not even considered.
- Buyers have been grumbling about the market for the past two years. **That mood has escalated into a panic** as other buyers up the ante - at times to a level that even causes real estate professionals to shake their heads.
- Brokers believe **seasonality is a factor**, with several saying they are expecting an uptick in listings.
- For buyers, hope springs eternal, but the **sellers are still hibernating**. We've been experiencing continued high buyer demand as the

spring market takes off early, but sellers are on a more traditional schedule as listings slowly ramp up. Sellers that have come to market ahead of the traditional spring market are reaping the benefits of less competition [from others who are selling] and a highly competitive buyer pool.



- Anecdotal information indicates many sellers are preparing their properties for the more traditional listing time around May.
- The spring market in **Kitsap** is a little like waiting for the tulips to begin coming up. **We have the buyer demand, but the inventory has not started springing up yet.** Open houses have a lot of traffic and we are seeing multiple offers on new listings that are priced correctly.
- **Kitsap County** is seeing an increase in investor-type buyers as they anticipate the impact of the **new fast ferry system**, now in the beginning stages of roll-out. Access directly to Seattle on a fast foot ferry will have a large impact on Kingston, Bremerton, and Port Orchard, while hopefully reducing the pressure on the Bainbridge Island terminal.

- What many don't realize is that while a **lack of inventory** might help a seller get more for their home, it **has a downside**. It can cause potential sellers not to list, appraisals to come in low, buyers to lose out to multiple offers, VA and FHA buyers to take second chair to cash or conventional loans, and a general frustration from lack of choice. **A balanced market is always preferable** to this unbalanced state of things.
- **Home sellers are benefitting from the perfect storm of market conditions**, but as the ongoing low inventory levels and precipitous drop in pending sales indicate, there simply are not enough homes to meet the demand of buyers. **All of this is pushing up home prices faster than anywhere else in the country** and will continue to do so if we don't see more homes come on the market this spring.
- With less than a two-month supply of inventory, **we will continue to see price escalation**; prices on closed sales of single family homes and condos in Kitsap County are up 10 percent from a year ago. That county has about 1.4 months of supply, third lowest among the 23 counties in the MLS database.

GOOD NEWS/BAD NEWS



Good News—Stronger wage growth, outpacing home price growth in over half the markets since Q1 2012.

Bad News—Rising interest rates have a negative effect on affordability for buyers.



GOOD TO KNOW!

You see: Ads for Low Fixed Mortgage Interest rates!

You think: The interest rate will remain low over the life of the loan.

The truth: Some lenders advertise "low fixed rate" mortgages that are really adjustable-rate mortgag-

es (ARMs)—in which case, that low fixed rate refers to just the initial term (e.g., five or seven years) before the rate adjusts. Usually upward.

There are lots of ads touting 3% rates, but they're for ARMs. Translation: **a rate that starts at 3% could end up at 8% after a few years.**

MARKET SNAPSHOT

Active Residential Listing Report for February 2016 & 2017

	Active Listings		Average List Price		Months of Inventory	
	2016	2017	2016	2017	2016	2017
Gig Harbor/Key Peninsula	304	283	\$ 548,065	\$ 540,756	5.4	3.0
North Tacoma	84	50	\$ 378,282	\$ 361,290	1.6	1.0
Puyallup	61	61	\$ 362,742	\$ 415,403	1.7	2.4
University Place	292	226	\$ 311,249	\$ 342,849	1.7	1.3
South Kitsap County	337	301	\$ 297,320	\$ 310,956	2.2	1.8



WHAT SHOULD YOU DO

IN THIS MARKET?

Whether you are a Seller, a Buyer or an Investor, there are lots of good opportunities in today's market. I'm always available to consult with you to help you assess and achieve your real estate goals.

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Closed Residential Sales for February 2016 & 2017

	Units		Average Sale Price		Average Price Per Square Foot	
	2016	2017	2016	2017	2016	2017
Gig Harbor/Key Peninsula	56	93	\$ 444,038	\$ 452,108	205	208
North Tacoma	54	48	\$ 345,005	\$ 363,900	186	194
University Place	35	25	\$ 352,954	\$ 323,286	162	178
Puyallup	173	180	\$ 276,778	\$ 311,288	144	160
South Kitsap County	156	167	\$ 251,950	\$ 284,409	150	167

PIERCE COUNTY TOPS NATION IN NEW RESIDENTS *Excerpted from article by Gene Balk in the Seattle Times*

Of the more than 3,100 counties in the nation, none gained more people from other counties last year than Pierce and Snohomish. They ranked No. 1 and No. 2, respectively, for net gains in the number of people moving in domestically.

While the new data show a surprising influx into Pierce and Snohomish, they don't reveal where in the U.S. all these movers are coming from. The Census Bureau calls this data "net domestic migration" — it's the number of people who moved in from other counties, minus the number who left.

Pierce County had nearly 12,000 more

folks moving in than out from within the U.S. last year — up from less than 5,000 in 2015.

Remarkably, not that long ago Pierce was actually running a deficit. Back in 2010, still in the thick of the Great Recession, Pierce had a net loss of nearly 1,700 people to other U.S. counties.

KING COUNTY NOT ONLY SOURCE

While it's likely that a lot of the move-



ment to Pierce and Snohomish is coming from King, that's probably just part of the story, says King County demographer Chandler Felt.

"A lot of them are coming directly from California or Arizona or Texas to the Seattle suburbs, and commuting to jobs in King County," he said.

"It really underscores the rapid growth of the Puget Sound region as a whole."

MORTGAGE RATES' PROFOUND EFFECT ON AFFORDABILITY

Excerpted from article by Erik J. Martin on TheMortgageReports.com



Many home buyers realize that rising home prices can limit their ability to buy. However, rising interest rates can alter home-buying plans even more. The current rate environment is likely a narrow window of opportunity in which to

claim a low rate and a still-reasonable home price.

The mortgage interest rate you find plays a large part in how much money your lender will let you borrow. That affects how much home you can buy.

That begs the question: how does your purchasing power

change if rates creep up a half a point or even one full percentage point?

Much more than you might think, which is why it pays to shop for a home now, and lock in a favorable fixed rate at historical lows.

For Example: Consider the monthly payment for a \$300,000 30-year, fixed rate loan:

At **3.5%** - monthly payment is **\$ 1,347.13**

At **4%** - monthly payment is **\$ 1,432.25**

At **4.5%** - monthly payment is **\$ 1,520.06**